

Board of Finance Recommended Budget July 1, 2013– June 30, 2014



Presentation to the
Representative Town Meeting (RTM)
May 6, 2013

We are pleased to present the RTM with the 2013-14 BOF recommended budget

BUDGET HIGHLIGHTS

- ♦ While the recommended budget of \$193 million represents a 2.44% increase over last year's budget...
- ♦ ... Revenue and interest offsets may enable us to keep the property tax increase to under 2%
- ♦ The Board of Finance has continued to adopt a conservative financial planning discipline
- ♦ The recommended budget supports the continued excellence of the Westport schools
- ♦ The infrastructure project “catch up” started last year continues in this year's budget
- ♦ The Town is proceeding on the slow process (contractually driven) to reform its employee benefit plans

Enhancements to town and school services are evident in the 2013-14 BOF recommended budget

SERVICE ENHANCEMENTS

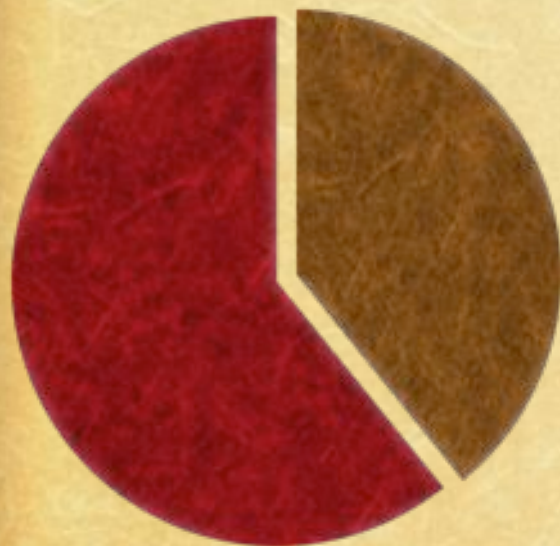
- ♦ The IT department will be integrating an outside firm for software implementation (including imaging) and backup support
- ♦ The registrars are online with the New Connecticut Voters Registration System and will be implementing Election Day Registration in 2013
 - ♦ The Registrars requested an increase in salary of \$5,000 bringing each Registrars salary to \$21,913 annually
 - ♦ The BOF reduced the Primaries expense line by \$25,000 to reflect only one primary
- ♦ Tree Warden services will be expanded, moving the tree warden from one day a week to a full time contract (outsourced), and expanding the number of days for cutting and pruning to three days per week - representing a \$168,475 increase in the Tree budget
- ♦ The Police requested the addition of a second youth officer - the change in the court system allows juveniles under 17 to be handled by the local police Juvenile Review Board where they were previously handled by the courts - this program has been successful in Norwalk
- ♦ The schools have added the STEM (Science, Technology, Engineering and Math) initiative, and are reducing the second grade class size 25 to 22 – these initiatives will be discussed in greater detail by the Board of Education tomorrow night

The Board of Finance reduced a number of budget items

Department	Amount	Rationale
Finance	\$25,000	Renegotiation of the Munis contract to remove non-utilized modules
Elections	\$25,000	Expectation of only one primary this year
Earthplace	\$10,000	Kept the budget consistent with last year - given little updated financial planning, and ongoing reorganization
Transit	\$23,000	Fully funded the operating request but not the marketing campaign – the campaign wasn't fully articulated at the time of our vote; passenger fees have not been increased

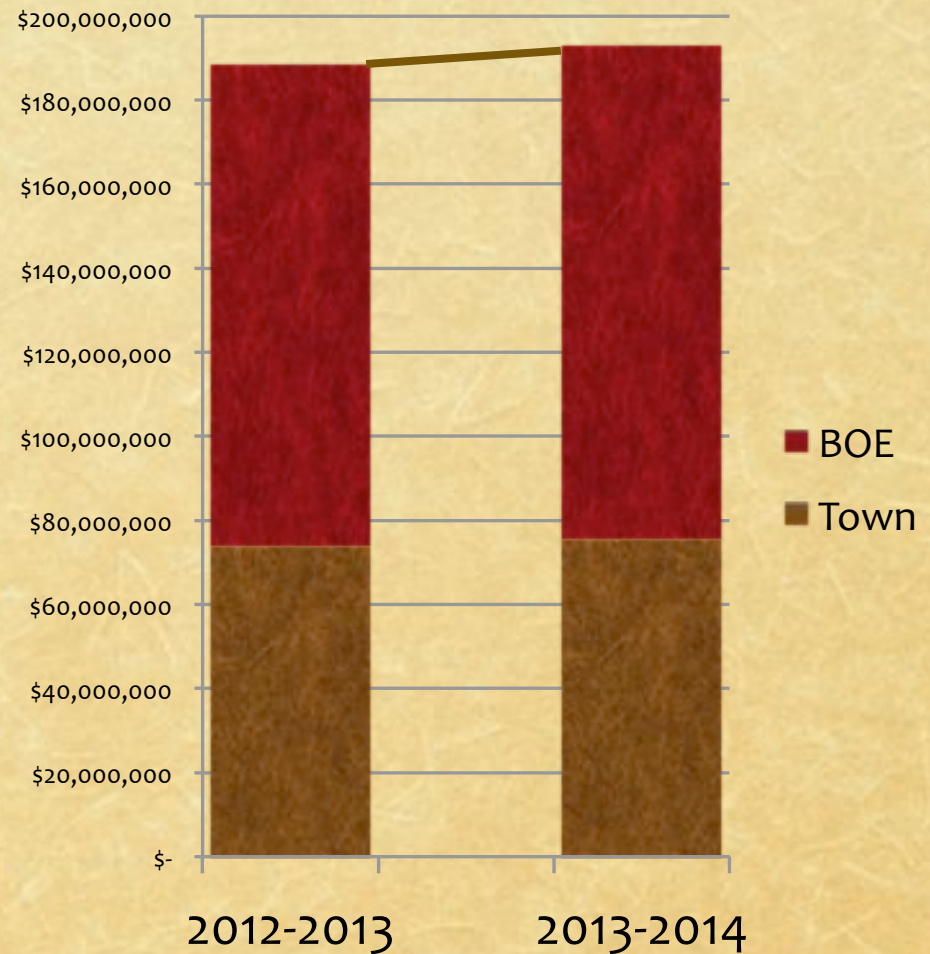
While the recommended budget of \$193 million represents a 2.44% increase over last year's budget...

The BOE represents 61% of the total 2013-14 budget



■ Town of Westport

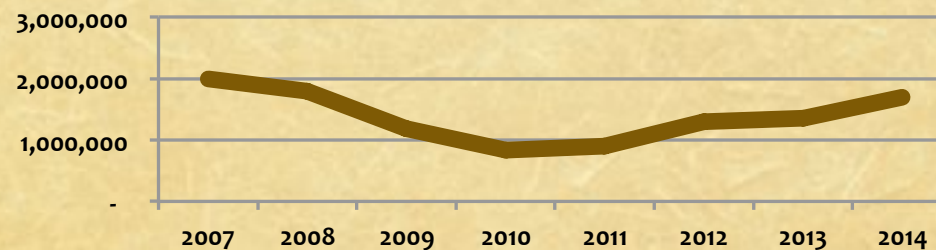
■ Westport Board of Education



... Revenue and interest offsets may enable us to keep the property tax increase to under 2%

- ♦ **Grand list** – the grand list increase of \$154 million will generate an additional \$2.8 million in revenue
- ♦ **Conveyance fees** – are making a comeback from the recessionary years

Conveyance Fees



- ♦ **Debt** - debt reduction, paydowns and refunding will reduce debt payments by \$1.4 million (BOE \$1.2 million, Town \$.2 million) compared to 2012-13
- ♦ **Health insurance** - Health insurance costs are projected to remain flat based on the historical claims trend line and new HSA plans are being introduced (reserves are exceeding \$2 million up from \$300,000 two years ago)

The Board of Finance is expected to vote on the tax rate on May 23rd

The Board of Finance has continued to adopt a conservative financial planning discipline

- ♦ Our Board has once again recommended a policy of fully funding our employee obligations at the actuarially recommended levels
- ♦ Our Board has recommended the most conservative (lowest) Pension/OPEB discount rate of similar plans in Connecticut
- ♦ We are continuing to aggressively pay down our long term debt
- ♦ Unassigned reserve targets have been set at 9-11% of the budget


Each is discussed in turn

Our Board has once again recommended a policy of fully funding our employee obligations at the actuarially recommended levels


- ♦ Our new actuarial firm, Milliman, has assessed our employee database and commitments, calculating Annual Required Contributions (ARC) for each plan
- ♦ The Board of Finance has recommended fully funding these obligations
- ♦ Unfortunately, we are still discovering issues with the previous actuarial data prepared by the old actuarial firm, Pentegra – resulting in ARC swings
- ♦ We will continue to adopt a cautious approach to our reserve levels to help mitigate tax implications of these swings

Our Board has recommended the most conservative (lowest) Pension/OPEB discount rate of similar plans in Connecticut

Town/City	Discount Rate
Avon	7.75%
Darien	7.5%
Easton	7%
Fairfield	8%
Farmington	8.5%
Glastonbury	7.75%
Greenwich	7%
Madison	8%
New Canaan	6.5%
Norwalk	8%
Ridgefield	6.75%
Simsbury	7.75%
Wallingford	8%
West Hartford	8.25%
WESTPORT	6.125%



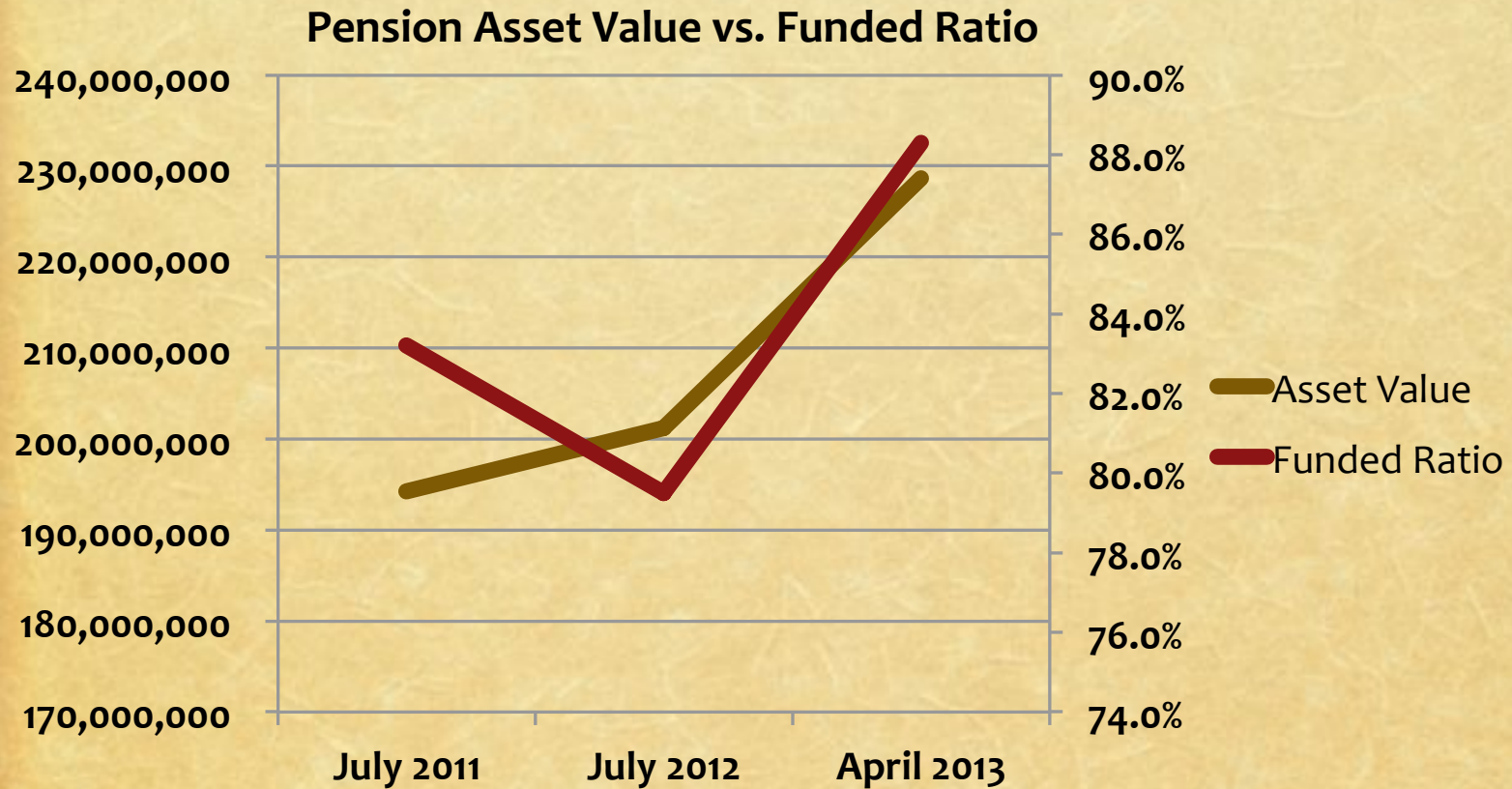
Closely
monitored
and
adjusted
over time



AAA Rated
Communities
at Time of
Study

Source: Milliman, July 25, 2012, updated by Finance Department

Even with this lower rate in place, we are estimated to be at an 88% funded ratio on our pension plans

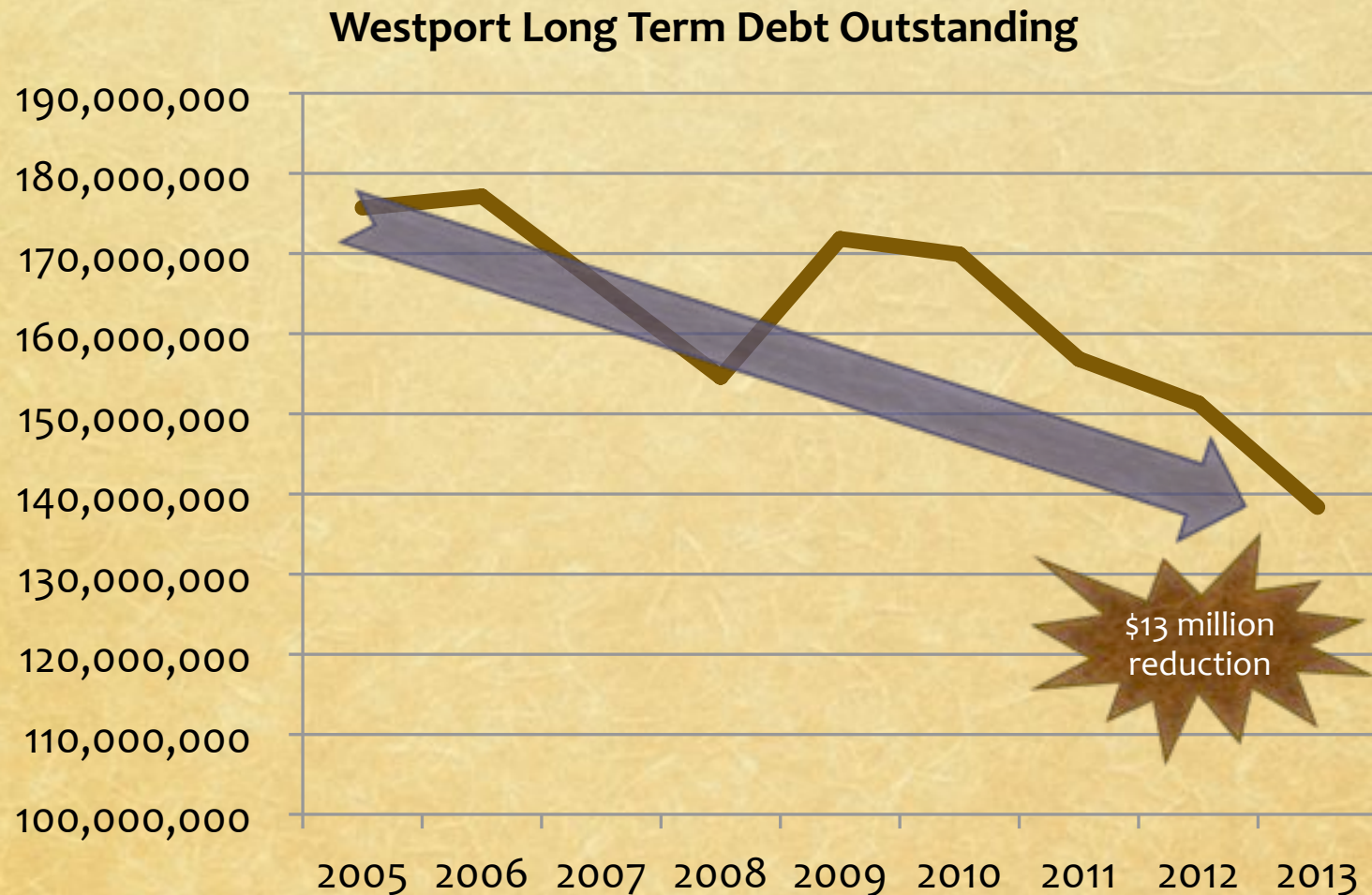


Liabilities increased from \$233 mm (7/1/12) to \$259 mm (7/1/13) with the more conservative discount rate

We continue to fully fund our OPEB annual required contribution in full

- ♦ Our OPEB liabilities were estimated at \$117.6 million as of July 1, 2012 (at the conservative 6 1/8% discount rate)
- ♦ The total required contribution for Fiscal Year 2013-14 is \$11.8 million, consisting of \$4.4 million in “pay as you go insurance” and \$7.4 million funding into the OPEB trust
- ♦ We have \$18.5 million in the OPEB trust as of April 30, 2013

We are continuing to aggressively pay down our long term debt



Unassigned reserve targets have been set at 9-11% of the budget

- ♦ The Board of Finance continues to recommend a reserve target level range between 9% and 11 %
- ♦ Our reserve level targets are consistent with nearby communities (New Canaan, Darien, Wilton) – outliers include Greenwich (5-10%) and Fairfield (4-6%)
- ♦ When the Board of Finance sets the mill rate on May 23rd, it will decide how much of the reserves may be used to mitigate any tax increase
- ♦ Our goal is to avoid spikes in the mill rate by factoring in potential expense and revenue swings in the near – medium future

The recommended budget supports the continued excellence of the Westport schools

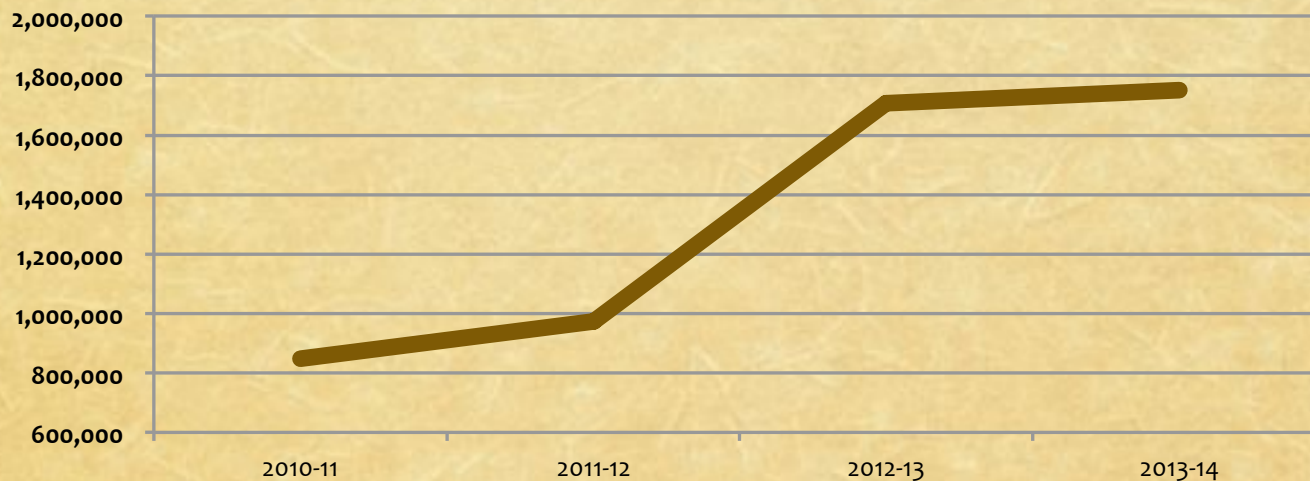
- ♦ During the past few years, educational budget increases were below the amounts required to meet our contractually obligated salary and benefits increases – as a result of \$3.2 million in annual recurring structural changes
- ♦ The school system is enhancing its offerings to enable our children to better compete in the global marketplace – e.g., STEM program, class size adjustments
- ♦ Our benchmarked “cost per student” remains in the mid-range of our peer group
- ♦ The Board of Education will present the RTM with detailed budget breakdowns tomorrow evening

The excellence of our schools is a major driver of sustaining our property values and revenue base

The infrastructure project “catch up” started last year continues in this year’s budget

- ♦ We have once again continued the increased levels of road paving and maintenance, started last year

Public Works Maintenance



- ♦ We also invested \$1 million to rebuild the Levitt Pavilion, supported by an additional \$4-5 million in private donations

The Town is proceeding on the slow process (contractually driven) to reform its employee benefit plans

- Three out of the six pension plans now only offer Defined Contribution plans to new employees
- These three plans have also eliminated OPEB going forward for new employees
- The remaining three pension plans are under contract until 2014 and 2016 (as seen on the next slide)
- The financial impact from moving to Defined Contribution plans will come over time as employees turn over

We are actively planning negotiations with the unions for labor and pension contracts

- Labor negotiations are underway for Police, Public Works, Fire, and Municipal employees
- Negotiations have also started with the new Supervisory union
- Remaining Pension / OPEB contracts come due beginning 6/30/14

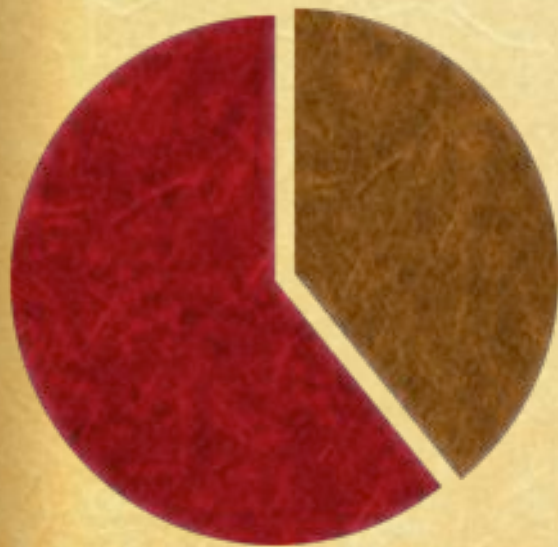
Negotiating Goals

- Higher medical co-pays and cost sharing
- Health Reimbursement Accounts
- Defined contribution plan for new hires
- Cap on maximum pension benefits

Expires 6/30/14	Expires 6/30/15	Expires 6/30/16
Municipal Pension Plan		Police Pension Plan
		Fire Pension Plan

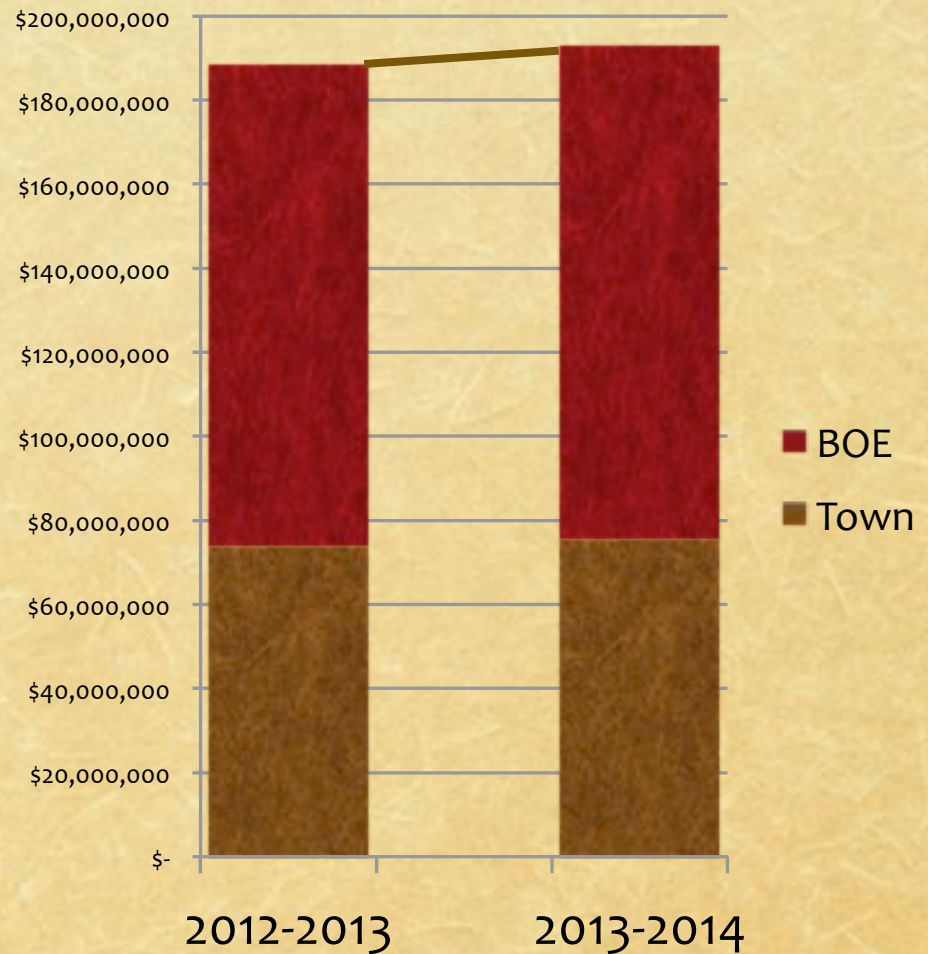
RECAP: the recommended budget of \$193 million represents a 2.44% increase over last year's budget

The BOE represents 61% of the total 2013-14 budget

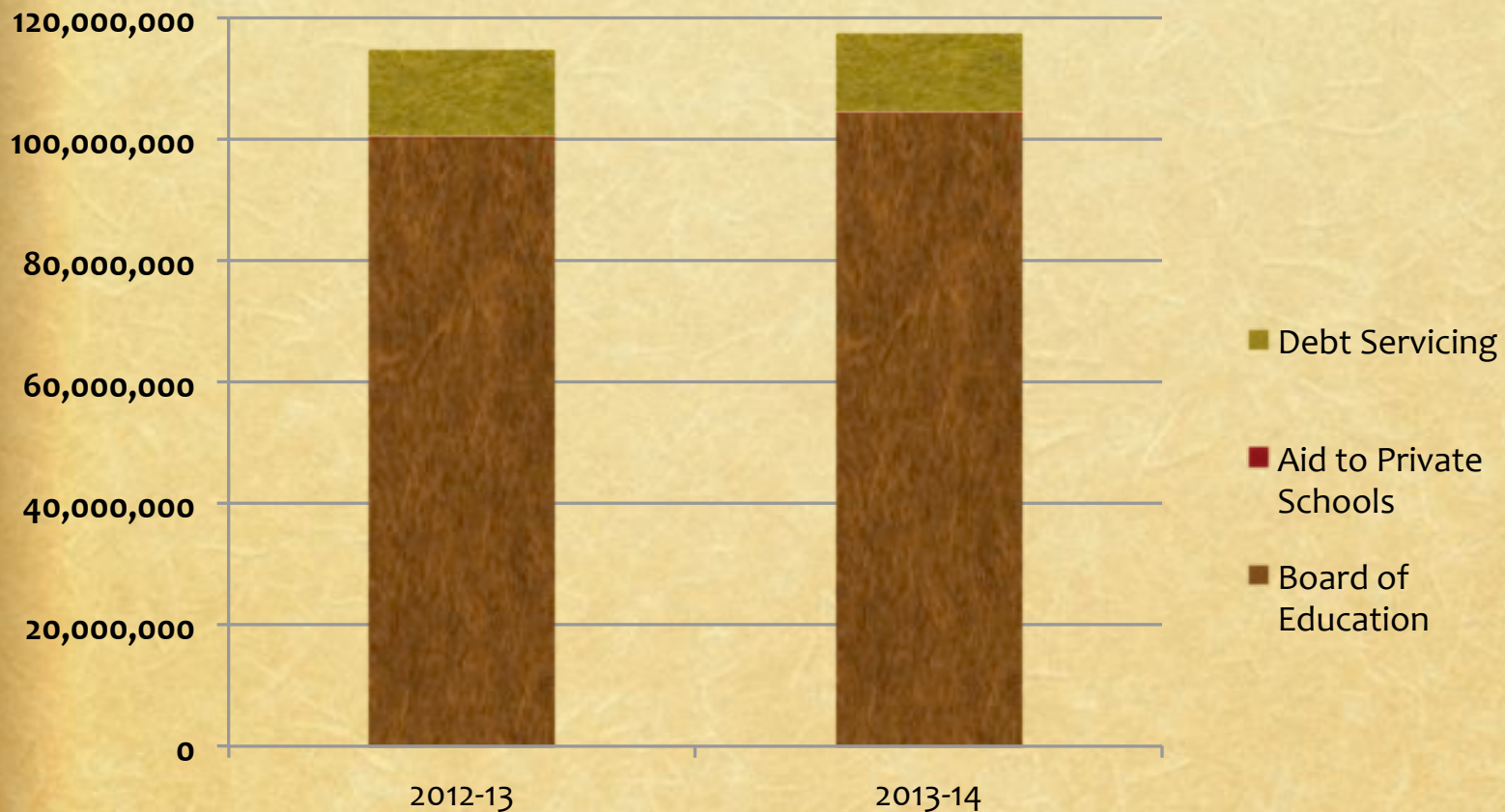


■ Town of Westport

■ Westport Board of Education

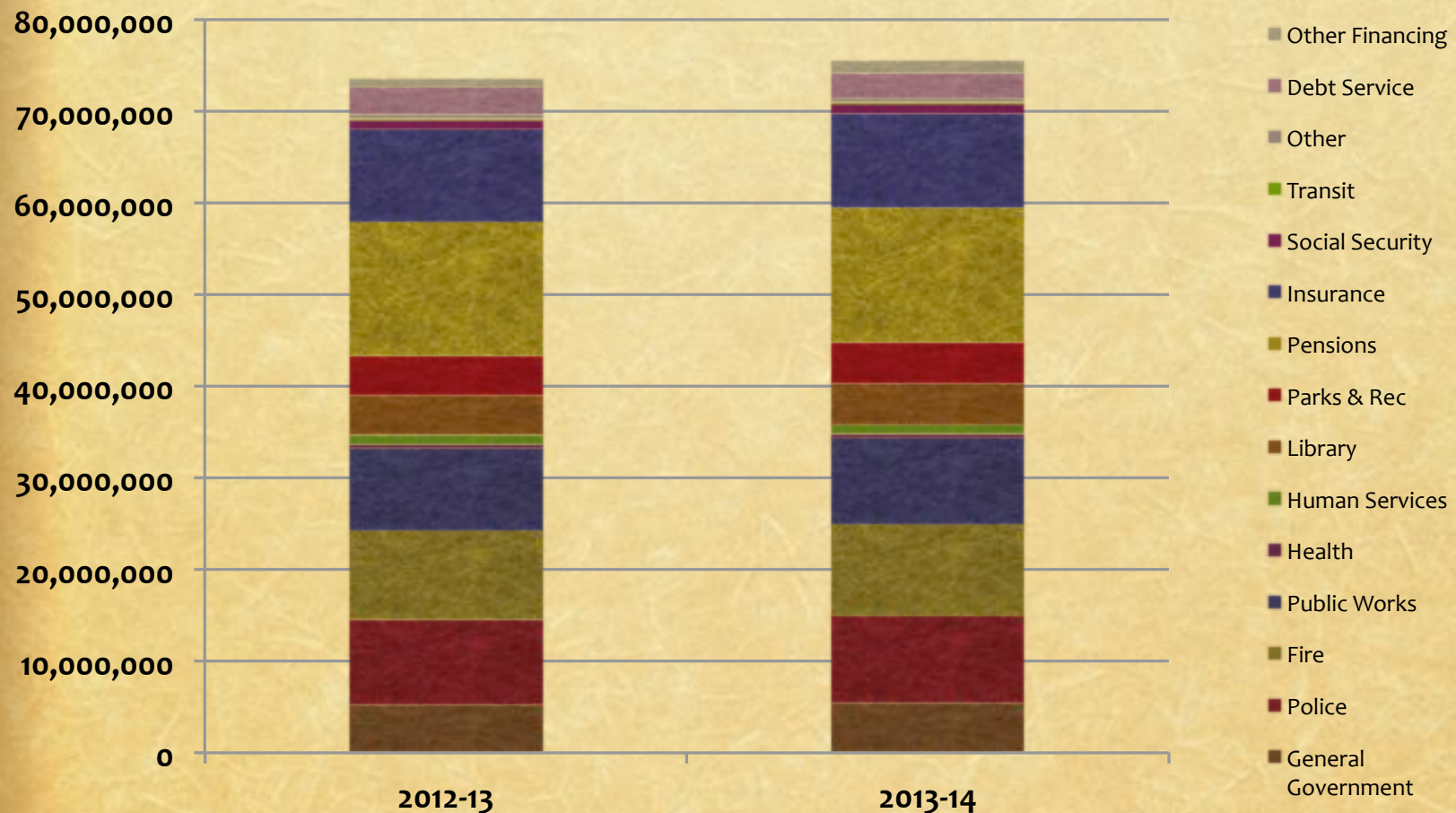


The total Board of Education budget of \$117.4 million represents a 2.4% increase



Debt servicing is down \$1.2 million from last year, offsetting the operational budget increase

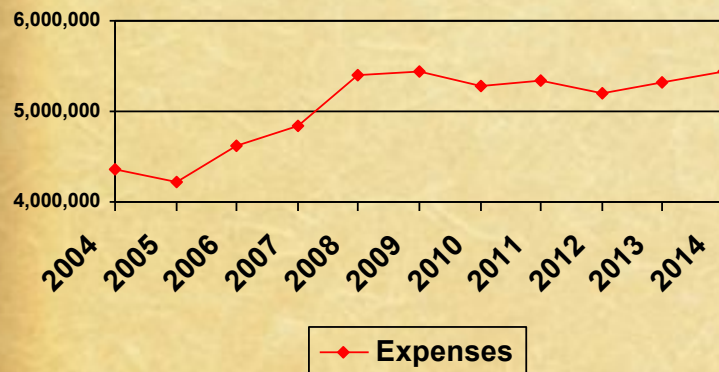
The following pages summarize the 2013-14
Town budget of \$75.6million, a 2.4% increase –
the school budget will be reviewed separately



Details may be found in your budget books

General Government - \$5.4 million, 2.2% increase

Westport's town management, under the direction of the First Selectman, provides many services to its residents through the 19 departments in General Government.



Budget Highlights

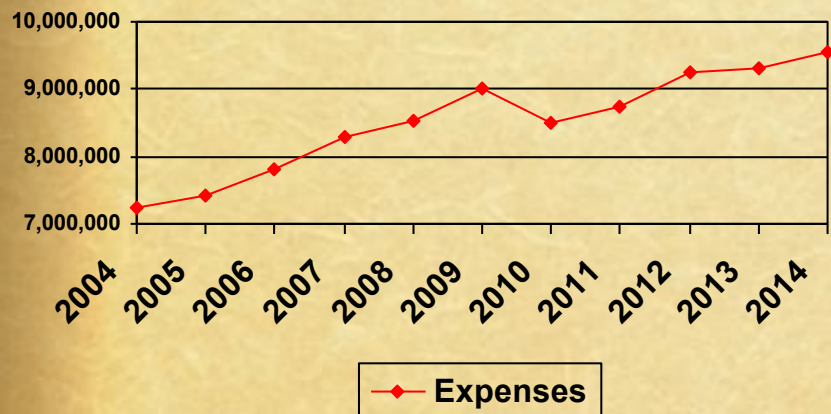
- Currently 43 full time employees
- 19 Different Departments
- Salaries represent 58.6% of the budget
- Since 2008, expenses have been flat
- Increase in primarily technology, elections and registrars

Strategic Goals

- ♦ The Selectman's Office will continue to improve and utilize technology, specifically enhancing the information flow to residents (website, use of social, media, email, etc.)
- ♦ Finance will work towards converting Health, Dental, Life and Disability plans to a consortium of Towns, and having all employees in a Defined Contribution or Hybrid Plan.
- ♦ IT will implement a web-based town-wide permits processing system and online payment system that accept every category of payments to the town government.

Police Department - \$9.6 million, 2.6% increase

Provides protection, enforcement, and other associated police services 24 hours a day, 365 days a year. The Police Department is the First Responder for all medical emergencies.



Budget Highlights

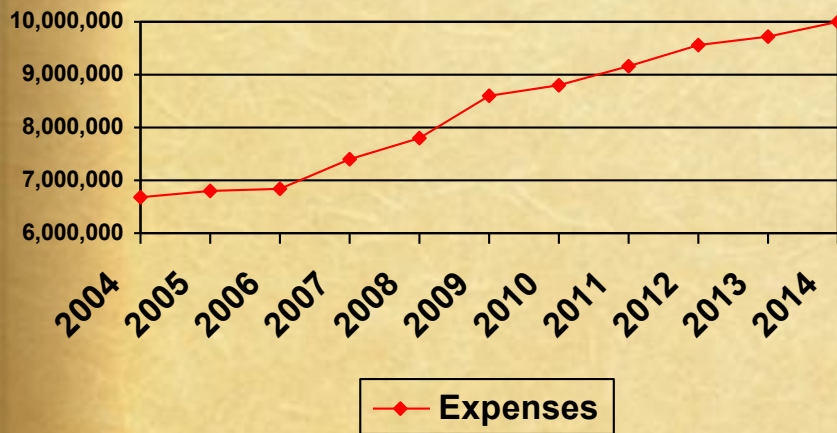
- Currently 64 full time employees
- Addition of Youth Officer due to raising of statutory age of minors to 17
- Police salaries, 84% of the budget, increase 2% pending ratification of CBA

Strategic Goals

- ♦ Elimination of RRP administration from police department
- ♦ Obtain state and/or national accreditation
- ♦ Modify paramedic contract with Norwalk
- ♦ Virtualize PD computers to thin or zero client for IT efficiencies
- ♦ Consolidate emergency communications with FD and surrounding towns

Fire Department - \$10.0 million, 2.9% increase

Provides fire suppression, rescue, prevention and educational services, as well as fire safety compliance inspections.



Budget Highlights

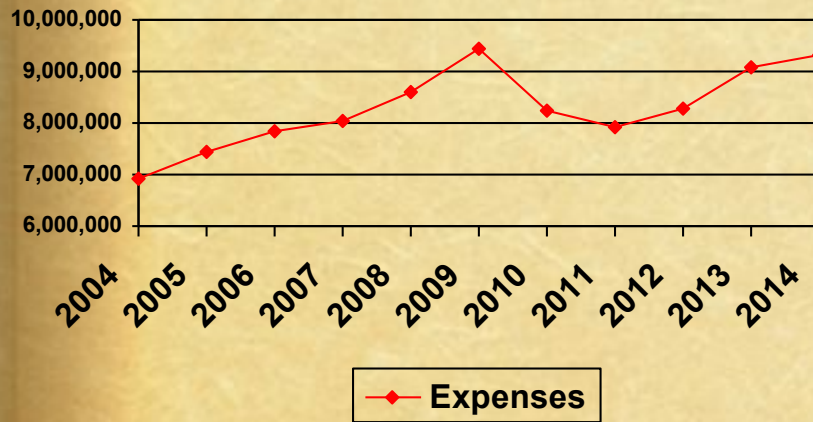
- Currently 73 full time employees
- Fire salaries, 62% of the budget, are increased due to contractual obligations
- Extra Help & Overtime, is 15% of budget
- Budget has increased 45% since 2004, due to change in engine staffing model
- Operating costs have increased due to capital projects

Strategic Goals

- ♦ Pursue Assistance to Firefighter Grant (AFG) to replace breathing apparatus. Currently projected at \$400K in Cap & Non-Reoccurring forecast.
- ♦ Reduce long term injury and health expenses.
- ♦ Address capital infrastructure facility needs.

Public Works - \$9.3 million, 2.75% increase

Responsible for maintenance of the town infrastructure.



Budget Highlights

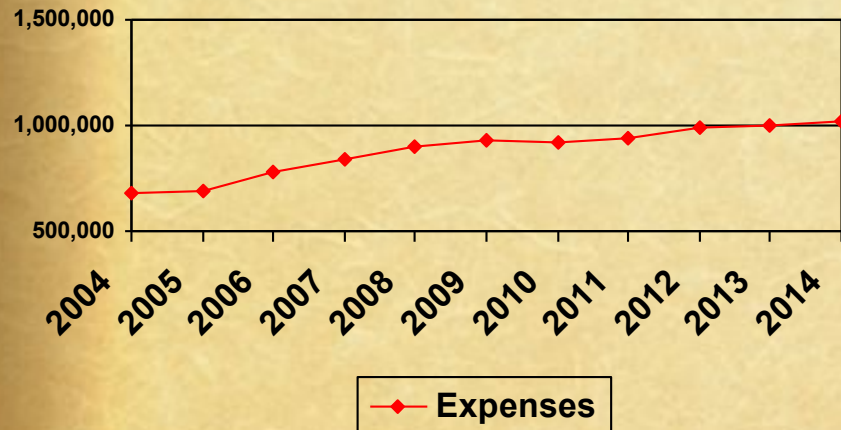
- Currently 48 full time employees and 2 part time employees, 7 Departments
- Road paving took a hit in 2009 from budget decrease, increased in 2013 and 2014 to catch up
- Single stream recycling resulted in reduction of 1,500 tons of solid waste, and savings of \$200,000
- Replaced roof on Police HQ and completed energy efficiencies at Town Hall, resulting in lowered utility costs
- increased expenditures on tree maintenance and services via outsourcing

Strategic Goals

- ♦ Continued greater inter-departmental and inter-municipal co-operation
- ♦ Attain a Pavement OCI (Overall Condition Index) of 70 (currently 66.8)

Human Services - \$1.0 million, 1.7% increase

Includes Youth Services, Social Services and Senior Services.



Budget Highlights

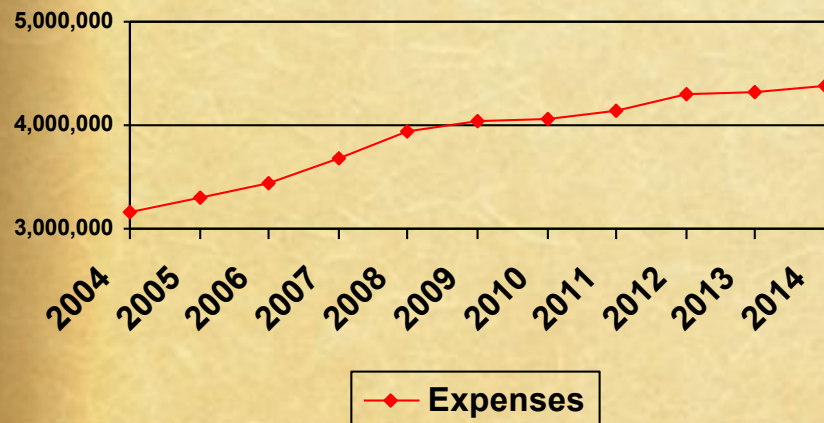
- Currently 10 full time employees and 6 part time employees
- Community donations of over \$900,000 match the town's operating expenses
- Budget has remained flat, despite increased demand
- An aging population is resulting in an increased demand for services

Strategic Goals

- ♦ Evaluate expansion of Senior Center to meet needs of growing senior demographic.
- ♦ Improve efficiency of Energy Assistance Program by taking over the application intake and certification process currently done by NEON.
- ♦ In cooperation with WPD seek and obtain grant funding to implement Westport Juvenile Review Board.

Library - \$4.4 million, 1.5% increase

The library is a center for lifelong discovery that meets the community's cognitive, creative and collaborative needs and fosters social and intellectual engagement through the dynamic exchange of ideas, skills and camaraderie in the heart of downtown.



Budget Highlights

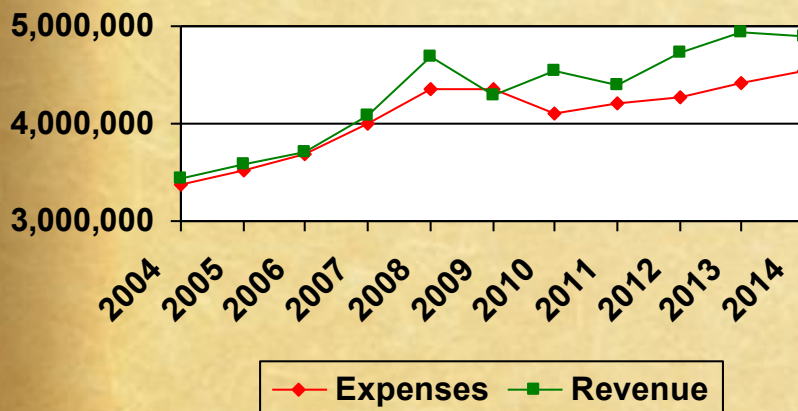
- Currently 33 full time employees and 71 part time employees, essentially unchanged over the past four years
- Includes health insurance for current employees & retirees
- Requested increase is the increased cost of health insurance

Strategic Goals

- ♦ Develop new service models that **transcend** the traditional role of libraries
- ♦ **Transform** the library to meet evolving and changing needs of the community and enhance its ability to lead and respond to the dynamic changes in the way information is acquired, consumed, and delivered
- ♦ **Deliver** convenient, continuous, innovative customer focused library service

Parks and Recreation - \$4.5 million, 2.7% increase (offset by revenues)

Supports over 300+ acres of parks and open spaces, including 3 public beaches, a championship golf course, 2 marinas (supporting 593 boats in water and 307 in dry stall), 4 tennis facilities (23 courts), a swimming pool complex, 34 athletic fields and over 100 youth recreational programs.



Budget Highlights

- Currently 23 regular (19 Full time, 1 Part time, 3 Nine Month) and 450+ seasonal employees.
- Employee count reduced from 31 in FY07-08 to 23
- Revenues continue to exceed operating expenses

Strategic Goals

- ♦ Update Longshore Master Plan to determine proper location of facilities, best lease of Inn of Longshore and potentially Waterside Terrace property.
- ♦ Evaluate the integration of contract services as a vehicle for service delivery to reduce long term obligations to the tax payer.
- ♦ Interconnected parks, facilities and significant town resources through the creation of pedestrian greenways (aka "emerald necklace").
- ♦ Boating, riverfront parks and extensive river pathways fully connecting the town to the Saugatuck River.

Going forward, our focus will continue to be on pension and benefit reform as well as on operational efficiencies

- ♦ Defined contribution plans are in place – these plans are available for new employees in three out of the six pension plans
- ♦ Negotiations are underway for labor contracts as well as for the new Supervisory union; the next pension / OPEB contract expires in 2014
- ♦ A new HR director will soon be hired, allowing us to better focus on our personnel costs
- ♦ We will continue to maintain our reserve levels to enable us to absorb unexpected expenditures (e.g., school security audit, pension market fluctuations)

Managing our expenses effectively will allow us to continue to invest in our town while minimizing tax increases - ultimately enhancing our property values

Looking Ahead

- ♦ Maintain the excellence of the Westport Schools
- ♦ Focus on the other “crown jewels” including Compo Beach, Longshore, open spaces, etc.
- ♦ Enhance services for all Westport residents – from children to seniors
- ♦ Appeal to new corporate neighbors to replace employers leaving Westport
- ♦ Improve railroad parking, reducing the waiting list for parking
- ♦ Further explore utilization of town-owned assets such as Baron’s South – to provide services as well as a financial return to taxpayers